



**Advanced Energy**

May 3, 2016

Q1 2016  
Earnings Call

# Safe Harbor

The company's guidance with respect to anticipated financial results for the second quarter ending June 30, 2016, expectations regarding future market trends and the company's future performance within specific markets and other statements that are not historical information are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: (a) the effects of global macroeconomic conditions upon demand for our products; (b) the volatility and cyclicity of the industries the company serves, particularly the semiconductor industry; (c) delays in capital spending by end-users in our served markets; (d) the accuracy of the company's estimates related to fulfilling Solar inverter product warranty and post-warranty obligations; (e) the company's ability to realize on its plan to avoid additional costs after the Solar inverter wind-down; (f) the accuracy of the company's estimates and assumptions on which its financial statement projections are based; (g) the impact of price changes, which may result from a variety of factors; (h) the timing of orders received from customers; (i) the company's ability to realize benefits from cost improvement efforts including avoided costs, restructuring plans and inorganic growth; (j) the company's ability to obtain in a timely manner the materials necessary to manufacture its products; and (k) unanticipated changes to management's estimates, reserves or allowances. These and other risks are described in Advanced Energy's Form 10-K, Forms 10-Q and other reports and statements filed with the Securities and Exchange Commission (the "SEC"). These reports and statements are available on the SEC's website at [www.sec.gov](http://www.sec.gov). Copies may also be obtained from Advanced Energy's investor relations page at <http://ir.advanced-energy.com> or by contacting Advanced Energy's investor relations at 970-407-6555. Forward-looking statements are made and based on information in the press release. Aspirational goals and targets discussed on the conference call or in the presentation materials should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in the press release.



**Advanced Energy**

**Yuval Wasserman**  
*President and CEO*

# Q1 2016 Highlights

- Revenue of \$103.0M +19% q/q due to semiconductor rebound
- Non-GAAP\* EPS from continuing operations \$0.56 up +75% q/q
- Cash balance of \$184M
  - Generated \$13.5M in cash while preparing for growth
- Progress towards 3 year aspirational goals
  - Revenue of \$600 to \$700M
  - Non-GAAP\* EPS \$3.00 to \$3.50
  - Cash generation of \$250M to \$300M

*\*Non-GAAP measures exclude the impact of stock based compensation, amortization, restructuring, acquisition related costs, and other significant non-recurring items.*

# 3 Tenants of Growth Strategy

- Growing presence in Semiconductor market
- Expanding into adjacent applications in Thin Films Industrial Power
- Increasing TAM through penetration of Specialty Industrial Power solutions

# Semiconductor Design Wins

- Advanced memory took center stage
- Ongoing investments in 3DNAND, smaller nodes and 16nm Logic
- Substantial growth in etch applications across WFE market
- Strength in plasma based applications and RF products leading to wins and share gains

# Thin Film Industrial Power Design Wins

- Thin Films includes: hard coatings, PV solar cells, low-e and architectural glass coatings, flat panel display and optical coatings
- Won new position in advanced OLED expansion program
- Sizable wins for Solvix products (hard coatings) outside EMEA

# Specialty Industrial Power Design Wins

- Specialty includes: high voltage modules and systems, power control modules (PCM), thermal and instrumentation solutions
- Won majority of project-based programs targeted
- PCM recovering outside of Europe in China and N.America
- High voltage wins enabling expansion and diversification
  - Scanning electron microscope applications in Japan
- Pyrometry (remote sensing thermometer)
  - Won design for solar cell manufacturing
  - Newly-designed pyrometer expanding SAM beyond Semiconductors to include temperature measurement applications for industrial markets

# Semiconductor Results and Outlook

- Recovery of 39% q/q from mini trough in Q4
  - Strong 3DNAND investments and resumption of Logic and foundry buying
  - Strength in advanced plasma processing led to outperformance of sector
- Upgrades in DRAM, 3DNAND, fab capacity ramps, and 10nm ramp
  - Expanding market for etch and deposition and primary drivers for 2016
  - Expect to benefit from position in applications enabling advanced patterning, 3D devices, 3D packaging for 3DNAND and Logic devices
- Sizable Chinese government investment in local semiconductor ecosystem presents growth opportunities
  - Increasing presence in China is a clear advantage
- Expect growth in Q2; ramp of 3DNAND in 1H; Logic/foundry in 2H

# Industrial Results and Outlook

- Revenue declined 22% q/q aligned with global industrial markets
- Thin Films Industrial Power
  - Hard coatings traction in EMEA
  - Large area coating applications declined, esp glass due to lower infrastructure investment in China
  - Higher demand for crystalline silicon based solar cells due to Chinese government investment
- Specialty Industrial Power
  - PCM traction in N.America and APAC through channel partners
  - Entry into industrial pyrometry led to strong shipments
  - High voltage: inroads with precision e-beam applications
- Expect increase in Q2
  - Glass coating upgrades, Chinese solar P/V (crystalline silicon applications)

# Service Results and Outlook

- Growth of 9% q/q vs. normal seasonal slowdown
- Precision Power share gains from 3<sup>rd</sup> party competitors
  - Customers recognize role of quality in total cost of ownership
  - Growing demand for high value service offerings, esp. trailing edge, 200mm legacy products
- Increase in inverter service from ‘out of warranty’ installed base
- Expect further positive growth in Q2

# Capital Deployment Strategy

- Returning value to shareholders
- Recently completed \$50M accelerated share repurchase
  - Part of 3 yr \$150M share repurchase program
- 70% free cash flow allocation towards organic and inorganic investments
  - Built solid M&A pipeline
  - Targeting future growth while maintaining financial criteria

# Focus for 2016 and Beyond

- Grow faster than core Precision Power markets served
- Q2 Expectations
  - Semiconductors continue at near-record levels
  - Industrials rebound q/q
  - Service continues upward trend
- Longer-term
  - Invest in developing products and channels to maintain leading position
  - Expand SAM by entering new markets, applications and geographies
  - Be nimble and agile to respond to cyclical nature of markets
  - Leverage financial model and put cash to work



**Advanced Energy**

Tom Liguori  
*Executive Vice President & CFO*

# Q1 2016 Financial Highlights

- Total Revenues \$103.0M
- Non-GAAP\* operating margin from continuing operations 25.3%
- Non-GAAP\* EPS from continuing operations \$0.56
- Completed \$50M accelerated share repurchase

*\*Non-GAAP measures exclude the impact of stock based compensation, amortization, restructuring, acquisition related costs, and other significant non-recurring items.*

# Q1 2016 Revenues by Application

<i>(in thousands)</i>	Q1 2016		Q4 2015		Q1 2015	
	Actual	% of Sales	Actual	% of Sales	Actual	% of Sales
Semiconductors	\$ 69,746	67.7%	\$ 50,219	57.8%	\$ 73,221	66.9%
Industrial	16,547	16.1%	21,345	24.6%	20,387	18.6%
Service	16,751	16.2%	15,327	17.6%	15,902	14.5%
<b>Total AE</b>	<b>\$ 103,044</b>		<b>\$86,891</b>		<b>\$109,510</b>	

# Q1 2016 Income Statement Review

	<b>Q1'16</b>	<b>Q4'15</b>	<b>Q1'15</b>
<i>(\$ in Millions, except GM% &amp; EPS)</i>			
Revenues	\$103.0	\$86.9	\$109.5
Operating expenses	\$29.8	\$26.5	\$27.6
Operating margin from continuing ops %	22.9%	18.6%	28.8%
Non-GAAP* Operating margin income from continuing ops	25.3%	20.7%	30.2%
EPS from continuing ops	\$0.50	\$0.28	\$0.62
Non-GAAP* EPS from continuing ops	\$0.56	\$0.32	\$0.65

*\*Non-GAAP measures exclude the impact of stock based compensation, amortization, restructuring, acquisition related costs, and other significant non-recurring items.*

# Tax Charges

- Q1 Tax expense 15.7%
- Difference between Q1 and Q4 2015 was primarily tax valuation allowances associated with inverter wind down
- Estimated 2016 tax rate approximately 15%, assuming existing tax regulations

# Q1 2016 Balance Sheet

- \$184.0M cash balance; increase of \$13.5M
- Net working capital increased by \$8.5M to support growing revenues

	Q1'16	Q4'15
<i>(\$ in Millions)</i>		
Cash & Investments	\$184.0	\$170.4
Accounts Receivable	\$67.1	\$55.0
Inventory	\$57.6	\$52.6
Total Assets	\$478.3	\$462.7
Liabilities	\$189.1	\$199.1
Shareholders Equity	\$289.2	\$263.6

# Q2 2016 Guidance\*

## Q2 Guidance Range

Revenue (in millions)	\$105	-	\$115
Non-GAAP** EPS from continuing ops	\$0.60	-	\$0.70
Non-GAAP** operating margin from continuing ops	25%	-	28%

\* Estimates as of Q116 earnings conference call. The company assumes no obligation to update guidance.

\*\* Q2 non-GAAP measures exclude the impact of stock based compensation of \$1.2M, amortization of \$1.1M, restructuring, acquisition related costs, and other significant non-recurring items.

THANK YOU

